

Annual Report 1975 The Bethlehem Corporation

An Environment and Energy Company



Directors

James I. McClintock, Chairman
Partner, McClintock, Donovan, Carson & Roach,
Attorneys, Detroit, Mich.

Wesley J. Peoples, Co-Chairman*

J. J. Conway*
President and Chief Executive Officer

John F. Bacon
Attorney, Bridgeton, N. J.

O. Karl Dieckmann
President of Hydraulic Power Systems, Inc.
Oak Park, Mich.

Edward S. Evans, Jr.
President (retired) and a Director of
Evans Products Company, Portland, Ore.

Morris L. Forer*
Partner, Wolf, Block, Schorr and Solis-Cohen,
Attorneys, Philadelphia, Pa.

Roger C. Hubbard
President of Hubbard Associates, Troy, Mich.

Reese D. Jones*
President of First Valley Corporation,
Bethlehem, Pa.

*NOTE: Mr. Peoples was a director until June, 1975.
Messrs. Conway and Jones were elected in June,
1975. Mr. Forer resigned, effective January 1, 1976.

Officers

J. J. Conway
President and Chief Executive Officer

B. Ord Houston
Executive Vice President and Treasurer

Arthur W. Smith
Vice President-Marketing and Engineering

R. L. C. Miller**
Vice President-Manufacturing

O. Karl Dieckmann
Secretary

**NOTE: Mr. Miller was elected in June, 1975.

The Bethlehem Corporation

is a supplier of equipment for environmental, energy and continuous processing applications. The Company also provides sub-contracting services for industrial products made to customers' specifications. Process equipment is sold principally to the chemical, petrochemical and food industries as well as the municipal and industrial markets for waste disposal and pollution control. Subcontracting services are rendered primarily to steam and gas turbine manufacturers and steel mill machinery users.

General Counsel

McClintock, Donovan, Carson & Roach,
Detroit, Mich.

Certified Public Accountants

Alexander Grant & Company
New York, N. Y.

Transfer Agent and Registrar

Registrar and Transfer Company
Jersey City, N. J.

Stock Listed

Symbol—BET
American Stock Exchange
Detroit Stock Exchange

Annual Meeting of Shareholders

The Annual Meeting of Shareholders of The Bethlehem Corporation will be held on Friday, May 7, 1976 at 11:00 a.m., EDT at Hotel Bethlehem, Bethlehem, Pennsylvania.

Financial Highlights

	1975	1974
Net Sales	\$12,682,000	\$13,189,000
Net Income	\$ 373,000	\$ 321,000
Net Income Per Share.....	\$0.42	\$0.36
Shareholders' Equity Per Share	\$6.14	\$5.82

NOTE: Stockholders may obtain a copy of Bethlehem's Annual Report on Form 10-K filed with the S.E.C. for 1975 by writing B. Ord Houston, Executive Vice President and Treasurer, The Bethlehem Corporation, 25th and Lennox Streets, Easton, Pennsylvania 18042.



To Bethlehem Shareholders:

The Nation's worst economic slump in over forty years had a substantial impact on our Company as well as on many others in all parts of the country. After a good first quarter, operations began to decline in the second quarter and continued at depressed levels throughout the year. Approximately 90% of our year's profits were earned during the first six months of the year.

Bethlehem's net sales for 1975 of \$12,682,000 were down approximately 4% from \$13,189,000 for 1974. Net earnings for 1975 were \$373,000 (42 cents per share), an improvement of 16% over \$321,000 (36 cents per share) for 1974.

Despite unfavorable national and international economic conditions, 1975 was an important and eventful year for The Bethlehem Corporation. Our financial condition was strengthened; major organizational realignments were effected; manufacturing and administrative procedures improved; a major capital expenditure program was initiated. Considerable progress was made in converting the Company's major thrust from its sub-contracting activities toward proprietary energy and environmental products.

Process Equipment and Other Proprietary Products

During 1975 sales of our Process Equipment and other Proprietary Products, for the first time, exceeded sales of Industrial Products Sub-Contracting Services. The Process Equipment markets involved are primarily energy, environmental and continuous processing industries.

Our *Porcupine*®, an indirect heat transfer and mixing device, gained increasing acceptance in a number of industries, and customers included such important companies as Dow, Tennessee-Eastman, Koppers, Davy Powergas, Monsanto Chemical, ALCOA, Remington Arms, Bechtel Corp., 3M and E. I. duPont.

Our *Ergulator*®, a mixer reactor, is gaining increased attention and acceptance in the field involving continuous mixing of liquids with gases or solids. Initial installations have provided unique solutions for certain chemical reaction problems. Because our Ergulator is new and a departure from existing technology, we are supplying a small laboratory unit to inform potential customers as to its capability and reliability. There appears to be a par-

ticularly good application for this continuous reactor in certain segments of the food industry, especially the natural sugar substitute area; that is, production or conversion of corn product into fructose.

Activity in our licensed *Bethlehem-Simon* drum and tubular dryers, chillers, and flakers was at a disappointing level during 1975, but currently we have a good amount of interest and would expect improved sales in these products during 1976 and beyond.

Our proprietary *Flow Tube* product continues its steady growth. These highly specialized tubes incorporate certain features which provide extremely accurate flow measurement and control. Applications include municipal, industrial and petro-chemical, oil and gas field operations both here and abroad.

Bethlehem *Multiple Hearth Furnace Systems* are expected to be one of our major activities in the near future. These furnaces are high-temperature processing devices for incineration, roasting, calcining, and drying. Bethlehem has over 300 industrial installations. During 1975, we entered the municipal field and are successful bidders for Stony Brook, N. J. and Bay City, Michigan, with orders approximating \$4 million. These applications are for sewage sludge incineration.

Activity in the municipal area, particularly, is expected to continue at an accelerated pace as the country's municipalities and regional authorities move to comply with the requirements of the Federal Water Pollution Control Act as amended in 1972. These statutes require industries and municipalities to be in compliance with certain standards involving best practical technology by 1977 and best available technology by 1983. While industry in general is on schedule, the municipal market is considerably behind schedule, and compliance dates will probably be revised. The Federal government supplies approximately 75% of the funds involved, and of the \$18 billion already appropriated, only a portion has been expended.

In the municipal sewage field, we have working agreements with sales engineering firms in New York and California which will make available for manufacturing and sale complementary products in the waste water treatment and sewage sludge fields.

Also aware of the substantial needs in the industrial and municipal solid refuse disposal area, we

have done research in composting, incineration and pyrolysis, but have not as yet actively pursued this market. It is expected that during 1976, considerable Federal funds will be committed to solve this growing national problem and to provide resource and energy recovery.

Our *Dynatherm* Heating Unit continued at about the same level of activity as 1974. Its initial cost is higher than other oil heating units, but we can document fuel savings up to 40% because of its efficient combustion design. With the level of today's heating oil prices, this fuel saving factor obviously becomes an important consideration in the purchase of such equipment.

During the year we undertook manufacture and sale of *Continental* automatic gas and/or oil fired packaged boilers used for the production of steam and heat for industry. As with the *Dynatherm*, the *Continental* is a "top-of-the-line" unit, very efficient and economical to operate. This product is available in a variety of models ranging from 15 horsepower to a sizable 800 horsepower package boiler. We encountered the usual problems resulting from the introduction of new equipment, but we expect it to be another profitable proprietary product.

Activity in the Medical Products field has been discontinued except for our unique hyperbaric therapy unit. During 1975 certain work was done to improve an already fine product, and we expect to introduce an improved horizontal chamber, together with a completely new vertical unit, during 1976.

Sub-Contracting Services—Industrial Products

Historically, our Industrial Products Sub-Contracting Services represented the majority of our sales. During 1975 we were adversely affected by a sizable reduction in spending by the utilities and steel companies. In addition to a dearth of new orders, there were numerous cancellations and/or deferrals of certain orders already on our books. Despite the generally depressed level of activity, we were especially pleased to have been selected by United Technologies' Pratt & Whitney Division to work with them on the development of the advanced design FT-50 gas turbine. Our contribution was acknowledged publicly by Pratt & Whitney management upon successful completion and testing of their prototype. Although this program is presently suspended, we are hopeful that upon resumption of buying by the utilities, we will be a major supplier to this important new gas turbine customer. Despite the generally low level of production equipment procurement by industrial and steel companies, activity in metal transfer cars and handling equipment continued at satisfactory levels.

Financial

The Bethlehem Corporation has come through this difficult economic period in good financial shape. Despite the low levels of operation during the latter portion of the year, our working capital at year-end was \$4.4 million and represents a current ratio of 3.75:1. Our term debt has been reduced from \$2.5

million to \$1.8 million and bears a healthy relationship to our \$5.4 million shareholders' equity.

During 1975 a dividend of 10 cents a share was paid. Our last cash dividend had been paid in 1969.

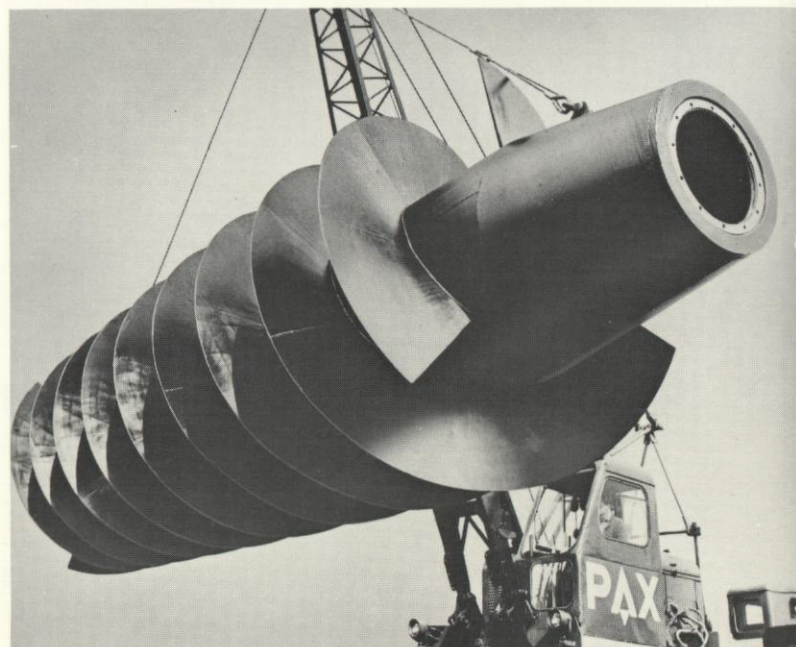
During the year, also, an equitable 35-month labor contract was negotiated with the United Steelworkers at our Easton operation without work interruption. This contract was most important, because it provided for the absorption of hourly personnel at our Bethlehem and Glendon operations into our planned consolidated operation at Easton, protecting the rights and benefits of all involved.

Outlook

During 1975 we strengthened all major facets of our organization and saw indications of improved shop and administrative performances before the reduced operating levels, layoffs, and manpower shifts occurred.

Our order backlog has shown improvement in recent months. Backlog at 1974 year-end amounted to approximately \$11 million. It had decreased to \$4.75 million at September 30, 1975 but increased to \$7.8 million at 1975 year-end. However, the bulk of

Screw Pumps, utilizing a design concept thousands of years old, are winning new acceptance in waste water and water treatment plants due to their low operating costs. Escalating power and fuel costs have established this renewed interest. Units of this type are built by Bethlehem under a manufacturing agreement with Enviro-Development Co., Inc. of Palo Alto, California.



this increase involves long-lead-time Multiple Hearth Furnace Systems. Order levels, particularly in the industrial products fields, remain depressed because of business uncertainties. This situation, hopefully, will be corrected as the nation's economic recovery continues.

For the first time, export shipments exceeded \$1 million in 1975. The international marketplace should continue to provide a good outlet for many of our products.

After several years of transition from a foundry-based sub-contracting company, we have defined our corporate goals and believe we are positioned to compete effectively in specific segments of markets involving Energy, Environment and Continuous Processing.

1976 plans call for an improved, expanded and consolidated operation at our 33-acre Easton site. The corporation has committed to an expenditure of approximately \$1 million to accomplish the consolidation of operations and administrative headquarters. This major program is already underway and is expected to be completed during the latter part of 1976. Substantial operating and administra-

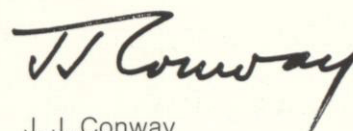
tive improvements are anticipated as a result of this consolidation.

Our optimism concerning the Company's long-range prospects must, of necessity, be tempered by the near-term economic uncertainties delaying business recovery and capital expenditures.

Conclusion

During 1975, Mr. Wesley J. Peoples, formerly Co-Chairman of the Board and Chairman of the Executive Committee, sold his interest in The Bethlehem Corporation to an investment group consisting of senior management personnel plus several Bethlehem area investors. At year-end, Mr. Morris L. Forer resigned as a director. The Board of Directors and Company Management have expressed their appreciation to these two gentlemen for their long and dedicated service to the Company.

Finally, I wish to voice my gratitude for the extraordinary efforts and contributions of our management, administrative and shop personnel during this difficult period. The Company also values highly the loyalty and cooperation of its directors, shareholders, customers and suppliers.

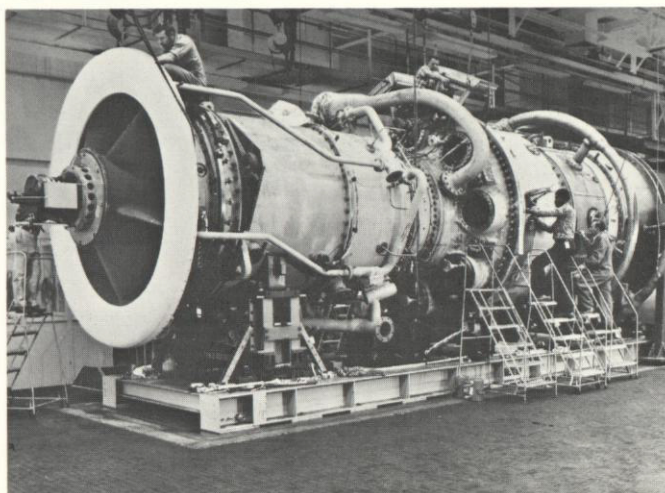
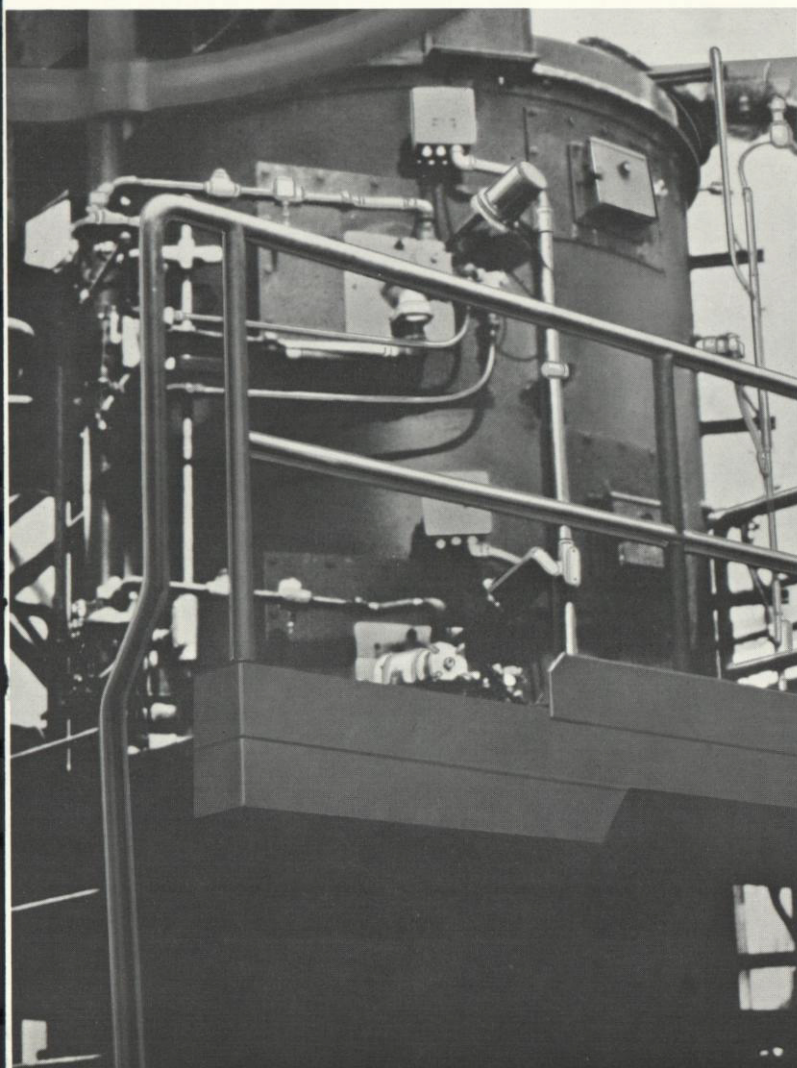


J. J. Conway
President and Chief Executive Officer

March 18, 1976

Multiple-Hearth Furnaces of the type built by Bethlehem since the early 1900's have proven effective and economical for the treatment and disposal of sewage sludge. Long a major component supplier for these high-temperature processing devices, Bethlehem now offers complete furnace systems for municipal and industrial applications.

Gas Turbines represent a practical answer for utilities, municipalities and industries seeking to add much-needed power generating capacity quickly and economically. Bethlehem is a major supplier of components to manufacturers of gas turbines of advanced design such as the prototype shown.



The Bethlehem Corporation

Balance Sheet

December 31, 1975 and 1974

Assets	1975	1974
Current Assets		
Cash (including \$800,000 and \$700,000 held in interest bearing Certificates of Deposit in 1975 and 1974, respectively)	\$1,053,622	\$ 896,444
Accounts receivable, less allowance for doubtful accounts of \$10,000 in 1975 and 1974	3,225,313	2,856,296
Inventories (Note A-1)		
Raw materials and finished products	983,276	1,036,586
Work in process (net of \$45,555 and \$649,571 advanced from customers on contracts in 1975 and 1974, respectively)	747,599	1,735,429
	<u>1,730,875</u>	<u>2,772,015</u>
Assets held for sale—net (Note I)		326,771
Prepaid expenses and other current assets	78,524	73,834
Total current assets	<u>6,088,334</u>	<u>6,925,360</u>
Property, Plant and Equipment—at Cost, Partially Pledged (Note B)		
Land	557,800	557,800
Buildings and leasehold improvements	987,888	998,101
Machinery and equipment	3,992,247	3,909,632
	<u>5,537,935</u>	<u>5,465,533</u>
Less accumulated depreciation and amortization (Note A-2)	3,018,460	2,783,872
	<u>2,519,475</u>	<u>2,681,661</u>
Assets held for sale—net		5,419
	<u>2,519,475</u>	<u>2,687,080</u>
Deferred Expenses (Notes A-2 and A-3)	74,713	83,552
	<u>\$8,682,522</u>	<u>\$9,695,992</u>
Liabilities	1975	1974
Current Liabilities		
Notes payable—collateralized	\$	\$ 45,000
Current maturities of long-term debt (Note B)	400,000	631,340
Accounts payable	437,988	935,122
Accrued liabilities	607,599	641,587
Income taxes payable (Note A-4)	177,840	210,415
Total current liabilities	<u>1,623,427</u>	<u>2,463,464</u>
Long-Term Debt—Net (Note B)	1,425,000	1,881,647
Deferred Income Taxes (Notes A-2 and A-3)	186,122	187,122
Commitments and Contingencies (Notes A-3 and E)		
Stockholders' Equity (Notes C and D)		
Common stock—authorized, 2,000,000 shares without par value, stated value of \$.50 per share; issued, 892,016 shares in 1975 and 1974	446,008	446,008
Additional paid-in capital	1,913,232	1,913,232
Retained earnings	3,099,608	2,815,394
	<u>5,458,848</u>	<u>5,174,634</u>
Less 4,235 shares of common stock reacquired and held in treasury—at cost	(10,875)	(10,875)
	<u>5,447,973</u>	<u>5,163,759</u>
	<u>\$8,682,522</u>	<u>\$9,695,992</u>

The accompanying notes are an integral part of these statements.

The Bethlehem Corporation

Statement of Earnings

Year ended December 31

	1975	1974
Net sales	\$12,682,290	\$13,188,738
Cost of goods sold	10,461,555	11,058,794
Gross profit	2,220,735	2,129,944
Selling and administrative expenses		
Selling	662,006	603,195
Administrative	1,012,702	889,397
	1,674,708	1,492,592
Operating profit	546,027	637,352
Other income		
Gain on sale of fixed assets	262,419	251,986
Interest income	53,736	30,562
Sundry	26,147	20,617
	342,302	303,165
	888,329	940,517
Other deductions—interest	185,337	316,017
Earnings before income taxes	702,992	624,500
Income taxes		
State	67,000	61,600
Federal	263,000	242,000
	330,000	303,600
NET EARNINGS	\$ 372,992	\$ 320,900
Earnings per common share (Note D)	<u>\$.42</u>	<u>\$.36</u>

Statement of Retained Earnings

Year ended December 31

	1975	1974
Retained earnings at beginning of year	\$2,815,394	\$2,494,494
Dividends paid (\$.10 per share)	(88,778)	
Net earnings for the year	372,992	320,900
Retained earnings at end of year	<u>\$3,099,608</u>	<u>\$2,815,394</u>

The accompanying notes are an integral part of these statements.

The Bethlehem Corporation

Statement of Changes in Financial Position

Year ended December 31

	1975	1974
Sources of working capital		
From operations		
Net earnings for the year	\$ 372,992	\$ 320,900
Charges (credit) against earnings which did not require an expenditure of working capital		
Depreciation and amortization (Note A-2)	247,038	304,418
Deferred income taxes (Notes A-2 and A-3)	8,000	(3,300)
Working capital provided from operations	628,030	622,018
Disposition of fixed assets	38,744	253,539
Refinancing of bank loans		1,000,000
Decrease in cash compensating balance		206,250
Assets held for sale—classified as current portion (Note I)		326,771
Sundry sources	(161)	1,785
	<u>666,613</u>	<u>2,410,363</u>
Applications of working capital		
Acquisition of fixed assets	118,177	125,528
Current maturities and reduction of long-term debt	456,647	627,040
Dividends paid	88,778	
	<u>663,602</u>	<u>752,568</u>
INCREASE IN WORKING CAPITAL	<u>\$ 3,011</u>	<u>\$1,657,795</u>
Changes in components of working capital		
Increase (decrease) in current assets		
Cash	\$ 157,178	\$ 53,546
Accounts receivable	369,017	523,455
Inventories	(1,041,140)	76,962
Assets held for sale—net	(326,771)	326,771
Prepaid expenses and other current assets	4,690	(17,838)
	<u>(837,026)</u>	<u>962,896</u>
(Increase) decrease in current liabilities		
Notes payable—collateralized	45,000	1,000,000
Current maturities of long-term debt	231,340	(267,644)
Accounts payable	497,134	263,783
Accrued liabilities	33,988	(163,210)
Income taxes payable	32,575	(138,030)
	<u>840,037</u>	<u>694,899</u>
INCREASE IN WORKING CAPITAL	<u>\$ 3,011</u>	<u>\$1,657,795</u>

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

December 31, 1975 and 1974

Note A—Summary of Accounting Policies

A summary of the Company's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Inventories

Effective with the year ended December 31, 1974, the Company changed its method of determining inventory costs from the first-in, first-out "FIFO" method to the last-in, first-out "LIFO" method. This change was made because management believes that LIFO more clearly reflects income by providing a closer matching of current costs against current revenues. The change had the effect of reducing inventories at December 31, 1974 by \$462,600 and net earnings by \$217,700 (\$.25 per share) for the year then ended. Under Accounting Principles Board Opinion No. 20 there is no cumulative effect of the change on prior years because the December 31, 1973 inventory, as previously stated using the FIFO method, is treated as the amount of the beginning inventory for the year ended December 31, 1974 under the LIFO method. Accordingly, proforma results for prior years under the LIFO method are not presented.

2. Depreciation and Amortization

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on a straight-line basis. The straight-line method of depreciation is followed for substantially all assets for financial reporting purposes, but accelerated methods are used for tax purposes. Future income taxes resulting from depreciation differences have been provided.

3. Pension Plans

As of December 31, 1975, the Company has non-contributory funded retirement plans in effect covering substantially all of its hourly employees. Until 1974, at which time it was terminated, the Company also had an informal policy relating to pensions for salaried employees. The effect of such termination on the financial statements was insignificant. Deferred taxes arising from timing differences have been provided.

The Board of Directors, in 1975, approved a pension plan for salaried employees to be effective January 1, 1976.

4. Investment Credits

The Company accounts for investment tax credits by the "flow-through" method. Under this method, credits are recognized as a reduction of income tax expense in the year the assets giving rise to the credit are placed in service.

Note B—Long-Term Debt

Long-term debt at December 31, 1975 and 1974 consists of:

	1975	1974
Term loan payable to bank in quarterly installments of \$100,000 plus interest at 1% over the bank's prime rate; final installment of \$225,000 due on January 1, 1980; unsecured	\$1,825,000	\$2,125,000
Loan payable to bank in monthly installments of \$4,300 plus interest at 2½% over the bank's prime rate; collateralized by equipment; final installment due January 10, 1980—repaid in 1975		262,400
10½% equipment note obligation, payable in monthly installments of \$6,573, including interest; final installment due September 2, 1976—repaid in 1975		125,587
	<u>1,825,000</u>	<u>2,512,987</u>
Less current maturities	<u>400,000</u>	<u>631,340</u>
	<u>\$1,425,000</u>	<u>\$1,881,647</u>

The term loan agreement contains certain restrictions and covenants, including the prohibition of the Company from paying dividends, other than in the form of stock, without the permission of the lender, the maintenance of certain levels of working capital and net worth, certain other limitations covering additions to fixed assets and future borrowings. The company has obtained a waiver from the bank with respect to the payment of dividends. The Company also has available a line of credit with a bank in the amount of \$1,000,000, against which nothing is outstanding at December 31, 1975 and 1974. There were no short-term borrowings under this line of credit during 1975.

Note C—Qualified Stock Option Plan

In 1971, the Company established a Qualified Stock Option Plan under which a maximum of 25,000 shares of common stock were reserved for the issuance of stock options to officers and key employees. At December 31, 1975, no stock options had been granted under this plan.

Note D—Earnings Per Share

Earnings per share were computed on the average number of shares outstanding during 1975 and 1974.

Note E—Litigation

In October 1975, a customer filed suit against the Company in the Superior Court of New Jersey. The complaint alleges breach of various contracts including late deliveries during the years 1972 through 1975 and seeks damages amounting to approximately \$1,700,000 in addition to compensatory and punitive damages.

The Company denies liability on any of the claims

and specifically has asserted numerous affirmative defenses, including Bethlehem's position that the alleged late deliveries were not in fact late under the agreement of the parties as established by their course of dealings over a long period of time. In addition, Bethlehem has counterclaimed to collect outstanding indebtedness in the amount of approximately \$700,000. Such amount is included under the caption, Accounts Receivable, in the accompanying balance sheet.

Although discovery proceedings have not yet commenced, it is the opinion of outside counsel based on information they have obtained at this preliminary stage of their investigation that the Company can successfully defend this action and is clearly entitled to collect the amount demanded in its counterclaim.

Note F—Effect of Inventory Liquidation

During 1975, inventory quantities were reduced. This reduction resulted in a liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years as compared with the cost of 1975 purchases, the effect of which increased net income by approximately \$118,000 or \$.13 per share.

Note G—Consolidation of Plants

In October 1975, the Board of Directors approved a plan to consolidate the Company's operations into one plant. The cost of this move, estimated at approximately \$1,000,000, will be amortized over the

estimated life of the benefits to be realized, commencing from the date the consolidation is complete. Financing will be obtained through additional long-term debt of approximately \$800,000.

Note H—Pension Plans

The total pension expense for the years ended December 31, 1975 and 1974 was approximately \$151,000 and \$135,000, respectively, which includes amortization of prior service costs over periods of 25 to 30 years.

At the latest plan valuation dates, January and June 1975, the unfunded past service liability of the Company's pension plans amounted to approximately \$1,600,000, and vested benefits are in excess of pension fund assets by approximately \$40,000.

The Pension Reform Act will require certain additional changes in the Company's funded retirement plans for the plan years beginning in 1976. At the present time, the estimated additional pension costs, if any, have not been determined; however, the unfunded vested benefits will increase significantly under the provisions of the Pension Reform Act.

Note I—Assets Held for Sale

In 1975, the Company sold certain manufacturing equipment with a net book value of approximately \$325,000. Total proceeds received on the sale were \$600,000, of which \$262,400 was used to retire outstanding debt.

Auditors' Report

Alexander Grant & COMPANY CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
The Bethlehem Corporation

We have examined the balance sheet of The Bethlehem Corporation as of December 31, 1975 and 1974, and the related statements of earnings, retained earnings and changes in financial position for the two years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of The

Bethlehem Corporation at December 31, 1975 and 1974, and the results of its operations and changes in its financial position for the two years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Alexander Grant & Company

New York, New York
January 26, 1976

Management's Discussion and Analysis of the Summary of Operations

1975 Compared to 1974

1975 sales were 4% lower than 1974 sales. Process equipment and other Proprietary Products sales for 1975 were, for the first time, greater than sales of Industrial Products Sub-contracting Services, and partially offset the reduction in demand for power generation components.

Gross profits improved slightly despite lower volume plus development and start-up costs on one of the new products, the industrial boiler.

Higher administrative costs resulted primarily from increases in salaries, consulting services, legal and audit fees. Selling expenses increased, due primarily to the introduction of new products.

The \$130,000 reduction in interest costs resulted from decreased borrowings and a more favorable rate in line with the national reduction in prime money costs.

These were the major factors combining to pro-

duce a 16% increase in net earnings despite the 4% decline in sales.

1974 Compared to 1973

Net sales for 1974 advanced 20% over 1973, due to higher selling prices and greater volume. Adversely affecting volume were the five-week strike at the Easton facility, and delays in material and casting procurement.

Cost of sales was up because of volume increase and higher material, labor, and other costs. 1974 results reflect a change in the inventory valuation method from FIFO to LIFO, reducing net earnings by \$217,700 or 25¢ per share.

Administrative expenses increased due to higher cost of salaries, supplies and professional services.

Income for 1974 was 81% over 1973, and resulted in a 36¢ per share earning.

Line of Business Information

Net Sales:	1971	1972	1973	1974	1975
Process Equipment and Proprietary Products	3,013,800	3,053,000	2,477,000	3,927,300	6,688,700
Industrial Products—Sub-Contracting Services	7,685,000	8,405,700	8,479,200	9,261,400	5,993,600
Income:*					
Process Equipment and Proprietary Products	108,300	160,600	86,200	68,900	532,300
Industrial Products—Sub-Contracting Services	1,249,600	435,300	1,074,200	1,457,800	1,026,400

*Before income tax, general administrative, interest and extraordinary items.

Common Stock Price Range and Dividends (per share)

	1975		1974		Dividends Per Share	
	High	Low	High	Low	1975	1974
Three months ending:						
March 31	2¾	1⅝	3⅛	1⅞	—	—
June 30	4¾	2½	3	2⅛	—	—
September 30	5½	4	2¾	1¾	\$1.10	—
December 31	5¼	3⅞	2	1½	—	—

Five-Year Financial Summary

	1975	1974	1973	1972	1971
Net Sales	\$12,682,290	\$13,188,738	\$10,956,282	\$11,458,733	\$10,698,840
Profit from continuing operations before taxes	702,992	624,500	334,274	(407,781)	242,216
Profit from continuing operations	372,992	320,900	176,974	(187,881)	126,516
Earnings (loss) from discontinued operations	—	—	—	(310,661)	21,355
Extraordinary items	—	—	—	(89,781)	15,609
Net earnings	372,992	320,900	176,974	(588,323)	163,480
% to net billings	2.9%	2.4%	1.6%	—	1.52%
Earnings per share	.42	.36	.20	(.66)	.18
Dividends per share	.10	—	—	—	—
Long-term debt	1,425,000	1,881,647	1,508,687	1,876,683	2,320,364
Shareholders' equity	5,447,973	5,163,759	4,842,859	4,665,885	5,254,208
Average number of shares outstanding	887,781	887,781	887,781	887,781	887,781

the **Bethlehem** Corporation
225 West Second Street, Bethlehem, PA 18016

